

SENATE, No. 3070

STATE OF NEW JERSEY
217th LEGISLATURE

INTRODUCED MARCH 6, 2017

Sponsored by:

Senator ROBERT M. GORDON

District 38 (Bergen and Passaic)

Senator THOMAS H. KEAN, JR.

District 21 (Morris, Somerset and Union)

Co-Sponsored by:

Senator Diegnan

SYNOPSIS

Provides gross income tax credit for certain contributions to New Jersey Better Educational Savings Trust (NJBEST) program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 3/15/2017)

1 AN ACT providing a credit against the gross income tax for certain
2 contributions to the New Jersey Better Educational Savings Trust
3 (NJBEST) program, supplementing Title 54A of the New Jersey
4 Statutes and amending P.L.1997, c.237.

5
6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8
9 1. (New section) a. A taxpayer having gross income for the
10 taxable year not in excess of \$500,000, or not in excess of \$250,000
11 for a married individual filing separately, shall be allowed a credit
12 against the tax otherwise due for the taxable year under the "New
13 Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., in an amount
14 equal to five percent of up to \$5,000 of contributions, or up to
15 \$2,500 of contributions for a married individual filing separately,
16 that are made by the taxpayer during the taxable year to one or more
17 accounts established pursuant to the "New Jersey Better
18 Educational Savings Trust (NJBEST) Program," N.J.S.18A:71B-
19 35 et seq.

20 b. The credit allowed pursuant to subsection a. of this section
21 shall not reduce the tax liability otherwise due for the taxable year
22 under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-
23 1 et seq., to an amount less than zero. The amount of any unused
24 credit resulting from the limitations of this subsection may be
25 carried forward, if necessary, to the seven taxable years following
26 the taxable year for which the credit was allowed. The form and
27 method of carryforward shall be as prescribed by the director.

28
29 2. Section 13 of P.L.1997, c.237 (C.54A:6-25) is amended to
30 read as follows:

31 13. a. Gross income shall not include earnings on a Coverdell
32 education savings account, a **[qualified State]** tuition program
33 account, or a qualified ABLE account until the earnings are
34 distributed from the account, at which time **[they]** the amount of
35 the distribution attributable to earnings on the account and the
36 amount of the distribution attributable to contributions allowed as a
37 credit pursuant to section 1 of P.L. , c. (C.) (pending before
38 the Legislature as this bill) shall be includible in the gross income
39 of the distributee except as provided in this section.

40 b. Gross income shall not include qualified distributions as
41 defined in paragraph (3) of subsection c. of this section.

42 c. For purposes of this section:

43 (1) "Coverdell education savings account" means a Coverdell
44 education savings account as defined pursuant to paragraph (1) of
45 subsection (b) of section 530 of the federal Internal Revenue Code

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 of 1986, 26 U.S.C. s.530.

2 (2) "**Qualified State tuition** **Tuition** program account" means
3 an account established pursuant to the "New Jersey Better
4 Educational Savings Trust (NJBEST) Program," (N.J.S.18A:71B-35
5 et seq.) or an account established pursuant to any **qualified State**
6 **tuition program** **],** as defined pursuant to **established in**
7 **compliance with** subsection (b) of section 529 of the federal
8 Internal Revenue Code of 1986, 26 U.S.C. s.529 or a tuition credit
9 or certificate purchased pursuant to any such program.

10 (3) "Qualified distribution" means any of the following:

11 (a) a distribution from a **qualified State** tuition program
12 account that is used for qualified higher education expenses as
13 defined pursuant to paragraph (3) of subsection (e) of section 529 or
14 a distribution from a qualified ABLE account that is used for
15 qualified disability expenses as defined pursuant to paragraph (5) of
16 subsection (e) of section 529A of the federal Internal Revenue Code
17 of 1986, 26 U.S.C. s.529 or 529A;

18 (b) a rollover from one account to another account as described
19 in clause (i) of subparagraph (C) of paragraph (3) of subsection (c)
20 of section 529, if applicable, clause (i) of subparagraph (C) of
21 paragraph (1) of subsection (c) of section 529A, or paragraph (5) of
22 subsection (d) of section 530 of the federal Internal Revenue Code
23 of 1986, 26 U.S.C. s.529, 529A, or 530; or

24 (c) a change in designated beneficiaries of an account as
25 described in clause (ii) of subparagraph (C) of paragraph (3) of
26 subsection (c) of section 529, clause (ii) of subparagraph (C) of
27 paragraph (1) of subsection (c) of section 529A, or paragraph (6) of
28 subsection (d) of section 530 of the federal Internal Revenue Code
29 of 1986, 26 U.S.C. s.529, 529A, or 530; and

30 (d) any other transfer involving a qualified ABLE account
31 which is a qualified distribution for the purposes of section 529A of
32 the federal Internal Revenue Code, 26 U.S.C. s.529A.

33 (4) "Qualified ABLE account" means an account established
34 pursuant to P.L.2015, c.185 (C.52:18A-250 et al.) or an account
35 established pursuant to any qualified State ABLE Program
36 established pursuant to section 529A of the federal Internal
37 Revenue Code of 1986, 26 U.S.C. s.529A.

38 d. The portion of a distribution from a Coverdell education
39 savings account, a qualified ABLE account, or a **qualified State**
40 **tuition program account** that is attributable to earnings and to
41 contributions allowed as a credit pursuant to section 1 of
42 P.L. , c. (C.) (pending before the Legislature as this bill)
43 shall be determined in accordance with the principles of section 72
44 of the federal Internal Revenue Code of 1986, 26 U.S.C. s.72, as
45 applied for purposes of sections 529, 529A, and 530 of the federal
46 Internal Revenue Code of 1986, 26 U.S.C. ss.529, 529A, and 530.

47 (cf: P.L.2015, c.185, s.1)

1 3. This act shall take effect immediately and section 1 shall
2 apply to contributions made during taxable years beginning on or
3 after January 1 next following the date of enactment.

4
5
6 STATEMENT
7

8 This bill provides a credit against the gross income tax for
9 certain contributions to the New Jersey Better Educational Savings
10 Trust (NJBEST) program. Under the bill, taxpayers having gross
11 income not in excess of \$500,000, or not in excess of \$250,000 if
12 married filing separately, are allowed a credit against the gross
13 income tax in an amount equal to 5% of up to \$5,000 of
14 contributions, or up to \$2,500 of contributions if married filing
15 separately, that are made during the taxable year to one or more
16 NJBEST college savings accounts.

17 The NJBEST program is New Jersey's IRC Section 529 qualified
18 college savings program. Federal tax law allows contributions of
19 federally taxed income to accounts established for the beneficiaries'
20 qualified higher education expenses. Account investment earnings
21 are not federally taxed until withdrawn, and if the earnings are used
22 for qualified higher educational expenses they are never taxed.
23 Currently, New Jersey matches those federal tax advantages, but
24 unlike a number of other states does not offer tax incentives for
25 contributions made to college savings accounts.

26 This bill establishes a state-level incentive for contributions in
27 New Jersey. In doing so, it encourages individuals and families to
28 put more money aside to meet the ever increasing cost of higher
29 education.

30 The bill takes effect immediately and provides for the credit to
31 apply to contributions made during taxable years beginning on or
32 after January 1 next following the date of enactment.